

FCC Broadcast Flag Update/Summary

2005-02-17

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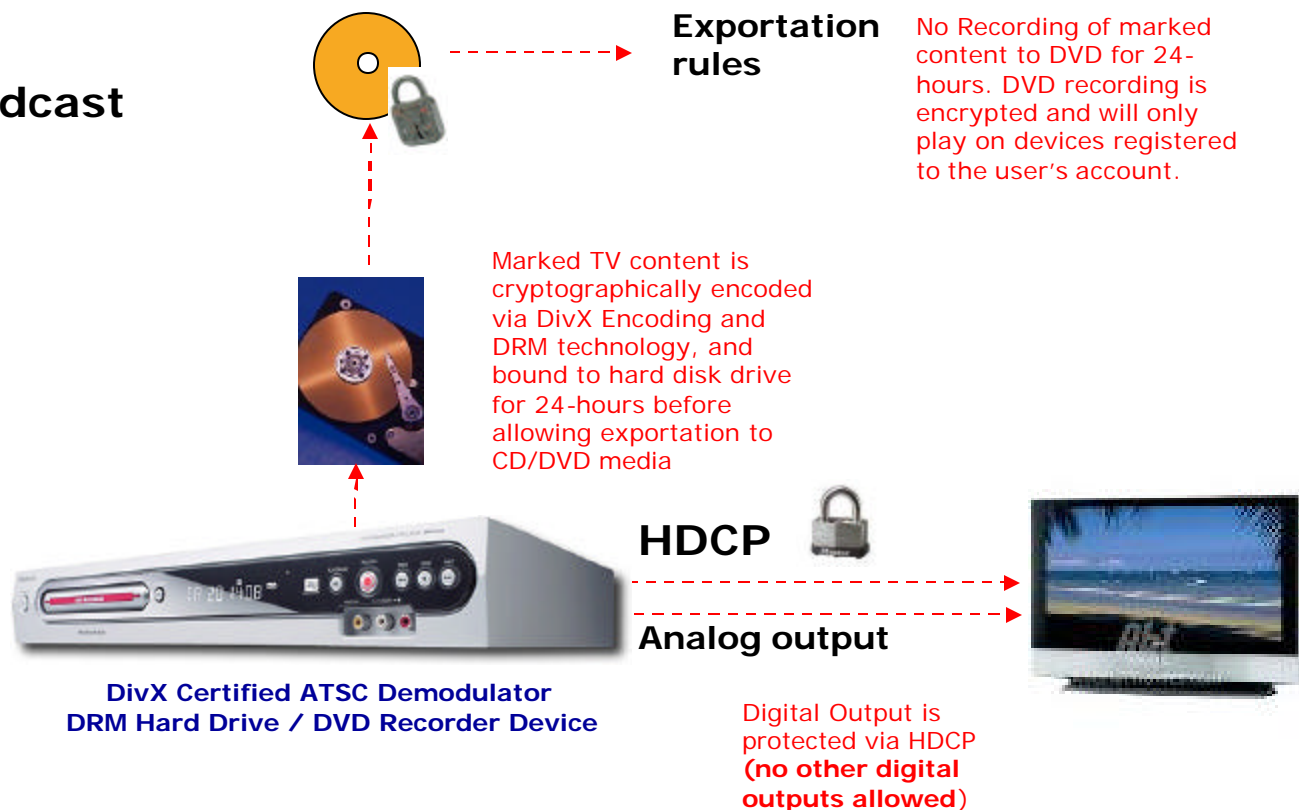
SLIDE 1 © DivXNetworks, Inc.



FCC Broadcast Flag – How it works...

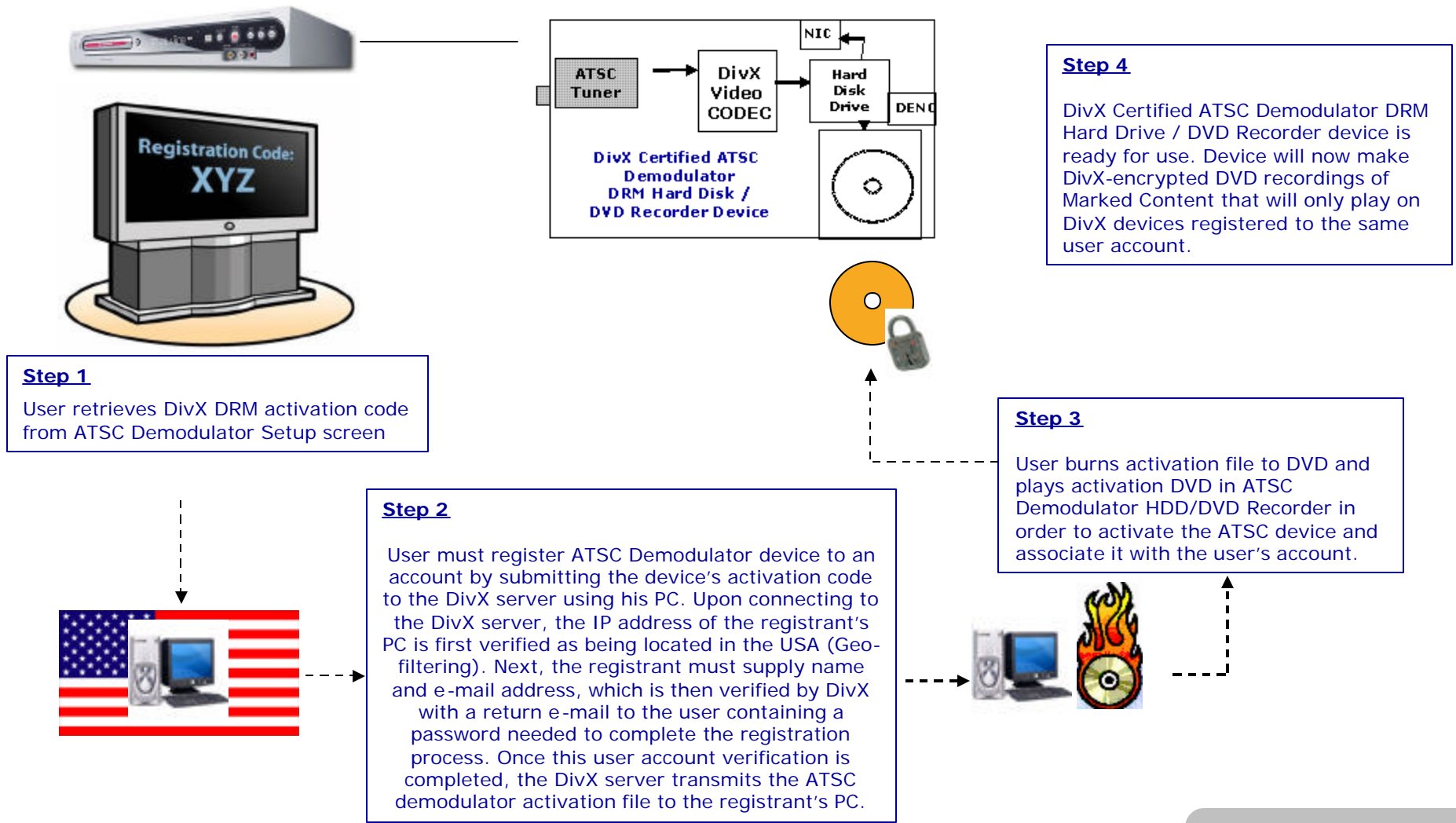
Encoding with DivX DRM

Digital Terrestrial Broadcast With FCC "Flag"



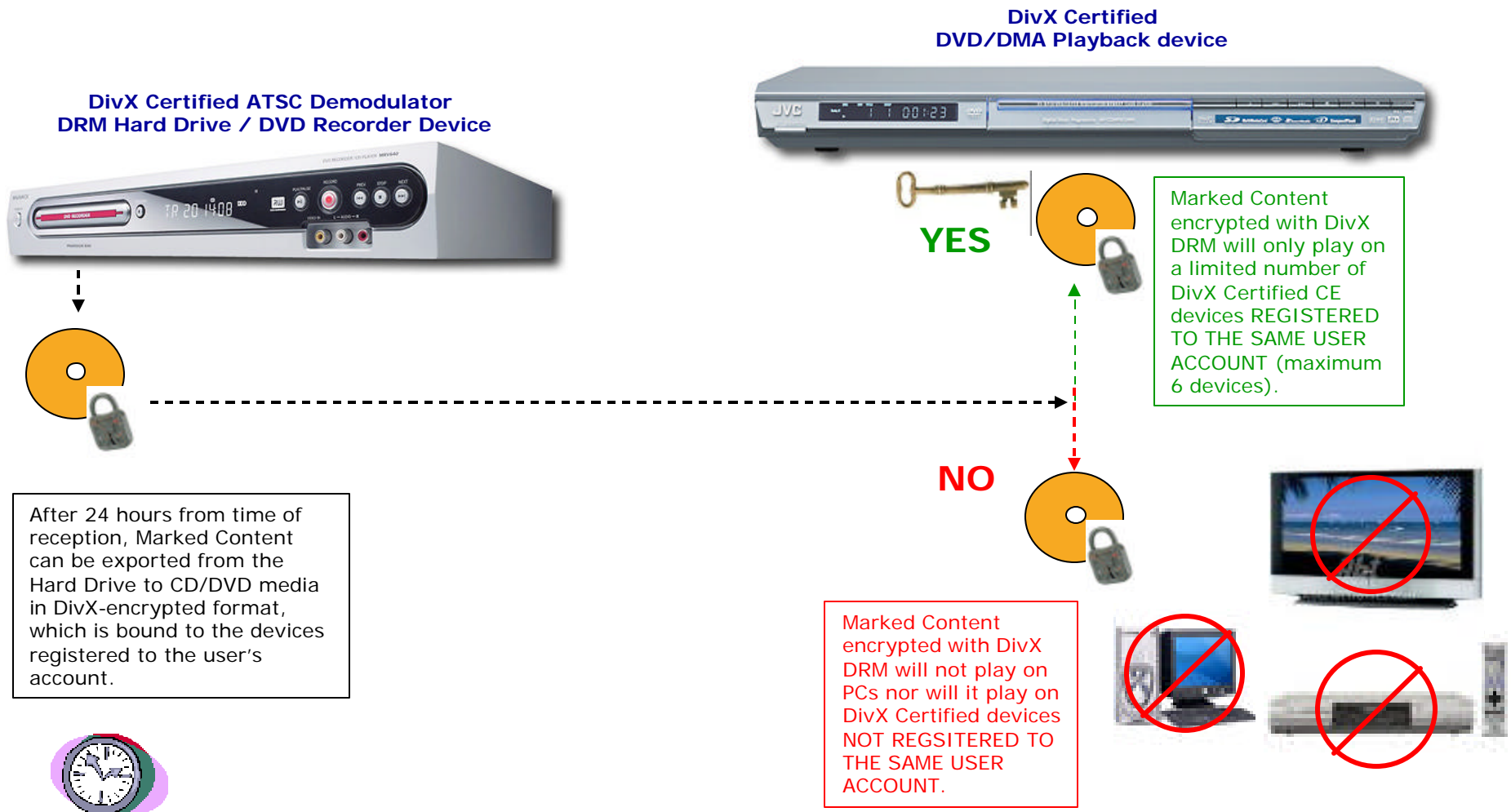
FCC Broadcast Flag – How it works...

ATSC Demodulator Activation/Registration Process



FCC Broadcast Flag – How it works...

DivX DRM – Marked Content Protection



FCC Broadcast Flag – How it works...

DivX DRM – Prevents “Indiscriminate” distribution

DivX Certified ATSC Demodulator
DRM Hard Drive / DVD Recorder Device



The DivX-encrypted files of Broadcast Flag Marked Content burned onto CD/DVD media can be copied and transferred electronically over the Internet using a PC, but these encrypted files are not playable on any PCs.



Bob's PC

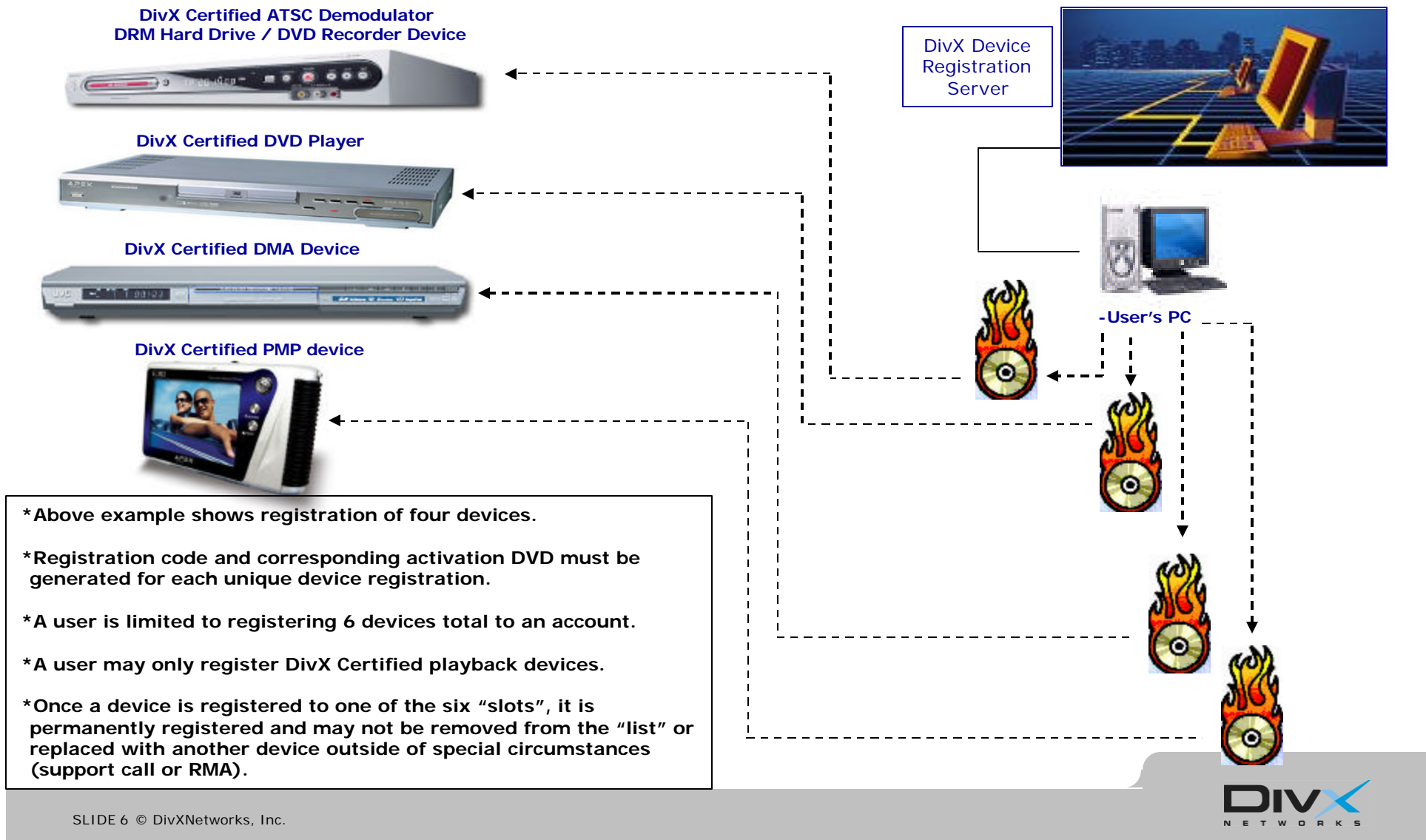
DVD File
Transfer
over Internet



Bob's Internet Peers

FCC Broadcast Flag – How it works...

DivX DRM – Playback Device Registration



FCC Broadcast Flag – ATSC Demodulator Device Registration to User Account

*DivX Networks will use an e-mail address verification process to confirm the identity of users registering DivX Certified ATSC Demodulator DRM Hard Drive / DVD Recorder Devices and DivX Certified DVD Players to the user's account.

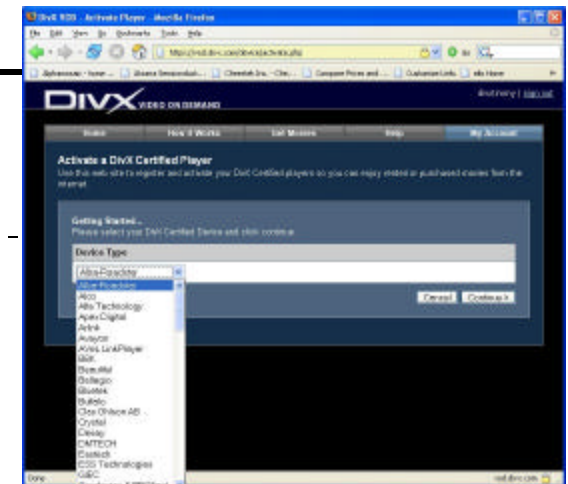
*Once the user's account is established through the ATSC demodulator activation process, it opens opportunities for DivX Networks to establish a stronger identity-based registration process through its offerings of DivX Networks' premium downloadable content for rendering on DivX Certified devices registered to the same user account.

*User wishing to purchase premium downloadable content must supply credit card and billing address information that will be stored on DivX Networks secure servers. This will provide further disincentives for indiscriminate device registration sharing of a user's account.

DivX Certified DVD Player



DivX Certified ATSC Demodulator
DRM Hard Drive / DVD Recorder Device



-User's PC



Premium
VOD Content

Activation
file burned
by PC



FCC Broadcast Flag – How it works...

DivX DRM – “Indiscriminate” distributor limitation

User 1 likes to share music and video files on P2P Networks. He has recorded a “marked” TV program, and would like to attempt to circumvent DivX DRM protection in place.

**User 1's DivX Certified ATSC Demodulator
DRM Hard Drive / DVD Recorder Device**



-User 1's PC

Activation file &
Marked Content
file transferred
electronically
over Internet



-User 2's PC



**User 2's DivX Certified
Playback device registered to
User 1's limited device list (6)**



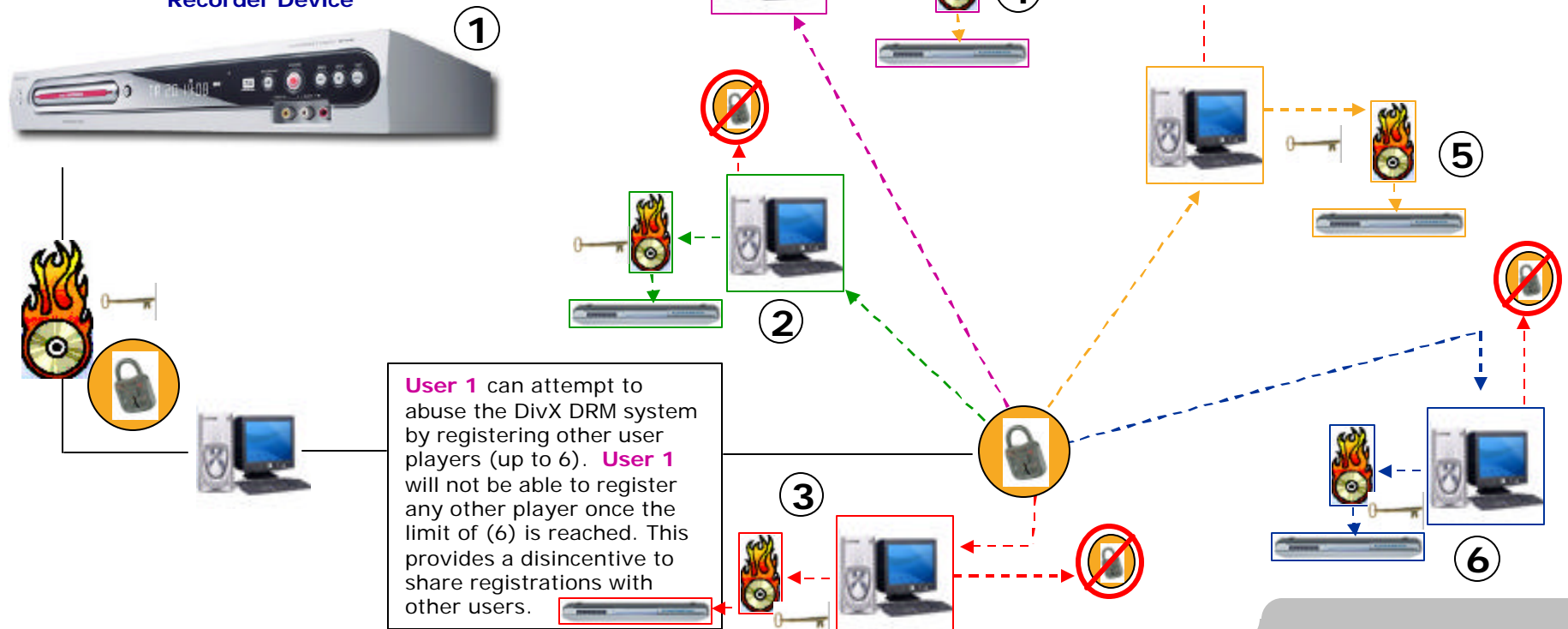
- User 1** wants to share a Marked TV program with **User 2**
- User 1** burns a disk after 24 hour wait and electronically transmits the media file to **User 2**.
- User 2** cannot play the file, since the file is associated with **User 1's** ID.
- User 2** sends **User 1** his registration code from his DivX DVD player.
- User 1** goes online the DivX server and registers **User 2's** device, adding **User 2's** player to **User 1's** user group. (using up one of his 6 limited registrations...) **User 1** will not be able to remove **User 2's** device.)
- User 1** sends **User 2** the activation file
- User 2** must burn a DVD with the activation file, and a DVD for the Marked Content
- The Marked TV content will now play on **User 2's** player, but **User 2's** existing content will not play anymore. Only files encoded by **User 1** will play.
- User 2** must re-register his device to play his content again, costing another activation. The original activated device cannot be removed. He has 4 “slots remaining”.
- The DivX process will force abusive users to revoke their own rights by running out of device registration “slots”. (**DivX Server will deny further activations**)

FCC Broadcast Flag – How it works...

DivX DRM –“Indiscriminate” distributor limitation (-Worst Case Scenario)

Even with shared player activation / registration information, FCC Marked Content is protected via DivX DRM. - Users cannot indiscriminately share protected content.

**User 1 DivX Certified ATSC
Demodulator DRM Hard Drive / DVD
Recorder Device**

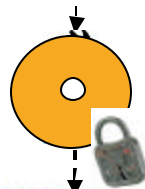


FCC Broadcast Flag – How it works...

Encoding with DivX DRM – Usage/Compliance Rules (Acceptable use scenario)



User 1's Registered DivX Certified ATSC Demodulator
DRM Hard Drive / DVD Recorder Device
(Located in West Coast Home)

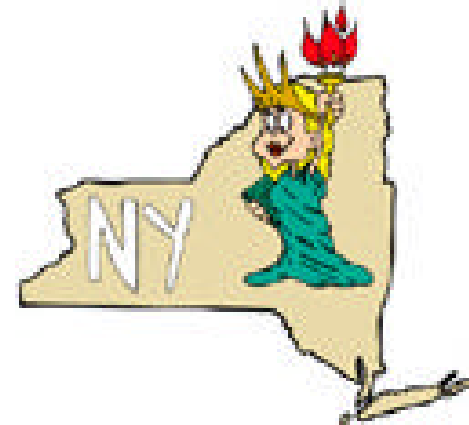


24-hour delay
before burning
DVD



The DivX-encrypted file on
the DVD can be electronically
transferred using a PC

Although DivX-encrypted
DVDs are not bound to the
media and thus allow
electronic file transfers,
the "hassle factor" of the
24-hour DVD burning delay
and the need to burn yet
another DVD at the remote
location should provide
sufficient disincentives to
limit remote access.



User 1's Registered DivX Certified DVD
player in East Coast Vacation home.



DivX-encrypted
DVDs can be
physically shipped
or their files
electronically
transmitted

To use the transmitted
file, it must be burned
again onto a DVD

FCC Broadcast Flag – How it works...

Encoding with DivX DRM – SUMMARY

- DivX Video is an established MPEG-4 encoding technology suitable for Consumer Electronics and PC applications
- DivXNetworks has an install base of 20M+ DVD Players and Personal Video Players. All have DivX DRM as part of DivX Certification process.
- DivX DRM will give effect to the Broadcast Flag while enabling a rich consumer encoding/playback experience with SD (Standard Definition), and HD (High Definition) video.
- DivX DRM cryptographically binds Marked Content recordings to a maximum of six DivX Certified consumer electronics devices registered to a single account.
- Device registration process will include geographic IP filtering of the PC requesting registration to ensure device registrations are occurring within the United States and an e-mail address verification process to provide identity-based user confirmation.
- The “hassle factor” of the 24-hour DVD burning delay and the need to burn yet another DVD at the remote location should provide sufficient disincentives to limit remote access of Marked Content.